



Memo

To: Distribution List, see page 8.
From: Massachusetts Energy Consumers Alliance
Date: 1/31/03
Re: Mass Energy Reaction to National Grid's Green Pricing Proposal

As an organizations eager to encourage both the supply and demand for renewable energy in Massachusetts, we are writing to offer comments on the proposal by National Grid to establish a green pricing program. We believe that green pricing has great potential for stimulating demand for renewable energy. However, the details of any program design are critical. We submit this letter to offer our strong support for the development of statewide green pricing programs, and to provide specific recommendations regarding how such programs should be designed.

Background on Green Electricity Efforts of Mass Energy and Partners

The Massachusetts Energy Consumers Alliance (Mass Energy) is a non-profit organization dedicated to energy affordability and environmental sustainability. For several years, Mass Energy has educated consumers about the benefits of renewable energy and energy conservation, and has sold a renewable energy "tag product" called ReGen. However, while consumers tell us that they are excited about the prospect of purchasing "green electricity," we have found that the tag product approach, which involves selling green electricity separately from the normal monthly electric bill, is both confusing and unappealing to consumers. Since we believe that public appeal and consumer confidence are essential ingredients to build a successful green electricity market, we have been eager to pursue alternatives to the "tag product" approach.

Given that Massachusetts' electric industry has been restructured to allow consumers to switch their supplier, a green supply option offered by a licensed retail supplier seems a far superior option to a tag product. With funding from MTC and the John Merck Fund, Mass Energy has spent over a year and a half researching the feasibility of offering this type of product (often referred to as a "delivered" product) to consumers, working in partnership with the following environmental organizations and municipal bodies: Boston Public Health Commission, Town of Brookline, City of Cambridge, City of Newton, Clean Water Action, Coalition on Environment and Jewish Life (COEJL), Environmental League of Massachusetts (ELM), Green Decade Coalition/Newton, Massachusetts Climate Action Network, Massachusetts Audubon Society,

Massachusetts Public Interest Research Group, New Ecology, Inc., Sierra Club of Massachusetts, Somerville Climate Action Network, and Tufts Climate Initiative.

Our initial intention was to aggregate consumer demand and partner with a licensed retail supplier that would supply a green product. However, we were unable to identify a retailer willing to serve our needs. Therefore, we pursued a hybrid model in which we would partner with a wholesale supplier, but would handle all renewable energy procurement and customer service functions ourselves. We were well on our way toward launching a product this spring when we learned of National Grid's efforts to develop a green pricing program.

We are excited about the potential of utility green pricing programs, as we believe that such programs can help overcome near-term barriers and jump-start green power market activity. By allowing consumers to purchase green electricity from competitive green electricity marketers via their normal monthly electricity bill and reducing the energy procurement risks and challenges faced by green electricity marketers, green pricing has the potential to be a favorable alternative to both the "delivered" and "tag" product scenarios. We submit the following comments and suggestions to DTE, MTC, DOER, National Grid, key legislators and others in an effort to guide the development of a green electricity market that will best serve Massachusetts consumers and will succeed in driving the development of new renewable energy projects.

Broad Green Pricing Recommendations

1) All Residential and Small Commercial Consumers in Massachusetts Should Have Access to Green Pricing Programs.

We believe that a green pricing program in National Grid's territory would so substantially limit the potential volume of customers available to competitive suppliers that we are unlikely to see any delivered products offered while the National Grid program is in effect. Therefore, we urge DTE, DOER and MTC to work together to bring green pricing programs to all utility territories in Massachusetts. This would provide all Massachusetts consumers with the benefits of simple access to green electricity purchasing options, reducing consumer confusion and increasing the ability for renewable energy purchasing behavior to really take hold across the state.

We also believe that green pricing programs should allow participation by both standard offer and default service customers. While the existence of the standard offer rate has played a key role in triggering the introduction of green pricing in Massachusetts, most consumers are unaware of the difference between standard offer and default service. Limiting green pricing to just standard offer customers would cause significant confusion among consumers and would serve no other useful purpose. As noted above, the presence of a National Grid green pricing program, even if applied to standard offer customers only, would likely limit the entry of competitive supply offerings. Therefore, default service customers would probably not have green electricity purchasing alternatives if such programs were not made available to them.

2) Leadership by DTE, DOER and MTC is Essential.

While National Grid should be commended for taking a leadership role by initiating green pricing planning in its territory, it is important to recognize that green pricing in such a large utility territory will affect the green power market statewide. Therefore, we urge DTE, DOER and MTC to embrace this development as an opportunity to introduce strong and effective green pricing programs across the state. Furthermore, we urge DTE to codify any commitments made by distribution companies so that, in the case of changing corporate priorities, the distribution company would not suddenly end its commitment to green pricing. Furthermore, because the presence of green pricing will have such a profound effect on the green power market, the rules of the game should be made clear, transparent, and publicly accountable.

3) Billing Access and Collection Services Should be the Design Drivers for Green Pricing Programs.

We believe that the two greatest values offered by green pricing programs are: 1) access to the standard electricity bill; and 2) collection and distribution of customer payments by distribution companies. Having exhaustively studied green pricing program models from across the country, we believe that programs with these two elements at their core have the greatest potential to stimulate a meaningful and robust green electricity market. In markets where delivered supply products are slow to emerge, the ability for consumers to purchase green electricity certificate or “tag” based products as part of their normal monthly billing process is key to the success of green electricity product sales.

While the affiliation with the utility company and any related utility marketing initiatives may certainly help boost the success of green pricing programs, we believe that, on issues where there are tradeoffs to be made, we should look to the basic goals of billing access and collection services as the core functional goals of any program design.

4) MTC Must Use Green Pricing as an Opportunity to Educate Consumers about Benefits of Renewable Energy and the Importance of their Participation.

After years of pondering the chicken and egg dilemma of whether renewable energy education was needed to drive energy choices, or whether education should only happen once energy choices were available, green pricing finally presents us with an opportunity to coordinate the introduction of both at the same time. While green pricing certainly lowers the barriers to entry for green electricity marketers, they will still face great marketing costs if they are starting from scratch on educating consumers about why their products matter. In order to enable green marketers to focus on getting the best products out to consumers rather than raising general consumer awareness about renewables, MTC should invest in a robust educational campaign.

While we believe it is appropriate to engage participating distribution companies in the delivery of an educational campaign, we do not believe the distribution companies should project an image of ownership over the green electricity options made available to consumers. For example, we suggest that green pricing be described as, “A variety of renewable energy companies are offering consumers the ability to ‘green’ their energy supply by making purchases on their National Grid bill,” rather than, “National Grid is offering its customers a variety of options to purchase renewable energy.”

5) Simplify Details, Make Use of Existing Infrastructure Where Possible, and Move Swiftly through Program Design.

Given the potentially short life of green pricing in the state, it is important to expedite program development in order to maximize the potential impact of the programs, and so that participating companies will find value in their investments. Therefore, we urge program designers to take advantage of existing infrastructure where possible and where appropriate. While green pricing is somewhat of a hybrid mixture of a delivered product and a “tag” product, it is important to look for opportunities to adapt and borrow from what already exists rather than creating new infrastructure. Examples are provided in the suggestions below.

We urge program designers to expedite the development of green pricing programs statewide, and to arrange for the launch of green pricing in National Grid’s territory to occur no later than September 1, 2003.

6) DOER Should Consider Using Green Marketers As Outlet for Marketing State Energy Efficiency Programs.

Since green pricing marketers will gain recognition for their role as providers of environmentally-sustainable energy services, we believe DOER and utility program administrators should consider partnering with green marketers to market energy efficiency programs such as the Residential Conservation Service.

Recommendations Regarding Supplier Standards and Participation

1) DTE Should Require Green Marketers to Obtain an Electricity Brokers License.

Since green marketers’ products would be sold via the DTE-regulated electricity bill, we believe it is important to protect consumers by screening green marketers through the Electricity Broker license application process. We are not aware of any Broker licensing requirements that could not reasonably be met by the green marketer applicant. We think this could be addressed by indicating on the application that the applicant is applying for purposes of participation in a green pricing program.

By using the Electricity Broker license instead of the Competitive Supplier license, as described in 220 CMR 11.05, it would be clear that green marketers are not subject to the same responsibilities as requirements as Competitive Suppliers (i.e. NEPOOL participation, load obligation, etc.).

Use of the Electricity Broker license is one example of an opportunity to use existing infrastructure to expedite the development and roll out of green pricing.

2) Green Pricing Utility Should Develop Standard Program Application and Contract for Green Marketers, Subject to DTE Approval.

Standard application and contract processes would expedite the program launch process. We suggest that only one round of supplier selection take place between now and April 1, 2003, the outcome of which would be effective through the duration of the program. This will enable those that are selected to have a sufficient period of time to invest their organizations into this model. If, for some reason, a decision is made to continue the program beyond March, 2005, we suggest that another supplier selection process take place.

3) No More than Five Product Options Should be Made Available to Consumers.

In order to avoid overwhelming consumers with too many choices, and to keep the program to a manageable size, we believe that the range of product offerings should be limited to five per utility green pricing program for the purposes of ballot enrollment. These product choices could come from five different companies, or if fewer companies apply to participate in the program, there could be flexibility for some companies to offer more than one product.

If faced with a need to select among green marketers, DTE should be responsible for selection and should select those whose offerings seem to provide the best combination of quality and value to consumers. Each utility green pricing program should have its own separate selection process.

We suggest that program coordinators allow additional products that meet all program requirements to be billed via the electricity bill, though only the five selected products would be included on the quarterly enrollment ballot.

Recommendations Regarding Product Standards

1) Products Should Only Include GIS Certificates.

For the purposes of verifying product claims, and in order to keep the environmental benefits of Massachusetts green pricing as local as possible, we believe products should only include GIS certificates.

2) Products Should Match at Least Twenty-five Percent of Total Customer Usage, With at Least Twenty-five Percent of Customer Usage Being Supplied by New Renewables.

We believe that a twenty-five percent minimum quantity of usage will ensure that participating consumers will receive a meaningful amount of renewable energy while enabling green marketers some product flexibility. Furthermore, this minimum new renewable requirement would guarantee that green pricing programs to have play a significant role in increasing the development of new renewable resources in the region.

Furthermore, we believe that the minimum twenty-five percent of usage requirement for new renewables will provide an appropriate level of consistent quality across all products, while taking into account the current scarcity of new renewables in the region.

3) All Products Should Be Green-e Certified

In order to ensure the high quality of all resources being offered through green pricing programs, we recommend that the Green-e standard for blended products be used as the benchmark for products. The Green-e standard has been developed through a thorough and exhaustive nationwide stakeholder process and is widely recognized as a solid product standard. By bringing Green-e into the green pricing market in Massachusetts, we will leverage the experience and quality control mechanisms offered by the certification body. We recommend that Green-e's blended product standard be applied to green pricing products.

4) New Renewable Content of Products Should Increase by Five Percent Per Year.

While Green-e standards do address new renewable content, we believe that Massachusetts green pricing program rules should go even further. As suggested above, all products should start at twenty-five percent new renewables, and we suggest that this new renewable content increase by five percent per year.

Recommendations Regarding Program Mechanics

1) Product Claims Based on Rolling Twelve-Month Average of Certificate Holdings.

Given the intermittent nature of key renewable resources such as wind, solar and hydro, as well as the current regional scarcity of desirable resources such as new wind projects, we urge program designers to grant green marketers some flexibility in matching green certificates to customer's usage. In addition, such flexibility will provide green pricing suppliers with a greater ability to use customer demand to drive the development of new renewable energy projects.

The most straight-forward means by which to achieve an appropriate level of flexibility would be through the use of reserve GIS certificates. However, we recognize the importance of avoiding the use of reserve certificates due to the implications that a large volume of such certificates would have on the GIS system as a whole.

We suggest that the program designers work to develop a strategy that will provide green marketers with a sufficient level of annual flexibility while working within the standard procedures of the GIS system. If this cannot be done, we suggest that marketers use reserve certificates for verifying their product claims.

2) Consumers Should Receive a Side-By-Side Comparison of Service With and Without Buying Renewable Energy Service.

We believe that for the consumer to truly understand the impact of their participation as a green power buyer, they should receive two disclosure labels (or one label with a side by side comparison if DTE disclosure rules permit), one showing the mix of resources they would have received had they not chosen a green power offering, and one showing what their mix looks like

as a result of choosing the green power offering. After all, if we are to present consumers with green alternatives, the purpose of disclosure should be to provide consumers with pertinent information on which to base their choices.

3) Green Marketers Should be Responsible for Sending Tax Deductibility Receipt to Consumer.

Since the renewable energy service would be provided by the green marketer, the green marketer must have the opportunity to communicate with the customer on the issue of tax-deductibility for that service. Since the distribution companies will be communicating with green marketers regarding customer usage information and payments, the suppliers will know how much their customers contributed. Furthermore, since the basis of the tax-deductibility may depend upon product content as much as quantity, the suppliers will be best suited to work with MTC to calculate the amount of each consumer's tax-deductible premium.

4) Customer Enrollment Ballots Should be Distributed as a Quarterly Bill Insert Along With Disclosure Label, With Non-Ballot Enrollments Permitted As Well.

While we recognize that it may be impractical to provide consumers with a monthly enrollment opportunity through the bill, it is important for enrollment to occur periodically, and with some frequency. It is widely accepted that consumers need to see several marketing messages before they purchase a product, and the ballot would certainly qualify as a strong marketing message. Furthermore, a quarterly enrollment opportunity would allow new residents to participate in the program.

Green marketers should be involved with the development of the ballot to ensure that it accurately reflects their product offerings. If, during the development of any scheduled ballot, green marketers come to a consensus decision that there are not enough new renewable resources available to accommodate the enrollment of more new customers, a quarterly enrollment insert could be skipped.

In addition to enrollments via the quarterly ballot, we believe that green marketers should be able to enroll new customers on their own as well. The enrollment process should recognize either a customer's written signature or on-line sign-up as sufficient authorization, with no three-day recession period being required. Since green marketers are not providing the same broad service that Competitive Suppliers provide to consumers, we believe it is necessary to hold them to the same enrollment requirements.

5) Program Coordinators Should Use Simple Software to Facilitate Data Interchange With Green Marketers.

We believe that the Electronic Data Interchange (EDI) process that is used for data interchange between distribution companies and Competitive Suppliers providing all requirements generation service is unnecessary for the purposes of a certificates-based green pricing program. Simple software, such as that used for fuel assistance programs in Massachusetts, could be used to exchange weekly data between utility program coordinators and green marketers. For eight

years, Larry Chretien, Mass Energy's executive director, was the energy director for Quincy Community Action Programs, Inc. One of the programs he administered was fuel assistance, which is a program now serving about 140,000 households in Massachusetts. His experience there suggests that the information systems used to manage that program are quite applicable to this particular case.

The twenty-two agencies administering fuel assistance exchange data electronically with the state's electric and gas utilities for two important purposes. The first is to provide electric heat (and sometimes cooling) customers with a fuel assistance subsidy based upon their fuel assistance eligibility and their monthly consumption. The second is to provide ALL customers with the low-income discount electricity rate and to apply that rate on a monthly basis to the customer's consumption.

We hope that green pricing programs will grow to serve more customers than are currently served by fuel assistance programs, but even if customer enrollment were to exceed 140,000, we believe that the software used to manage the fuel assistance programs is clearly sufficient for the purposes of green pricing. It should actually be easier for distribution companies to work with five or so suppliers than twenty-two fuel assistance agencies.

Conclusion

We appreciate your attention to these comments and we welcome further dialogue on these and other important program details. As discussed above, the introduction of green pricing programs in Massachusetts will have a major impact on the green power market in the state. We are optimistic that these impacts will be positive. However, we believe that MTC, DOER and, in particular, DTE must play a leadership role in the development of such programs in order to ensure that maximum potential benefits of green pricing programs are realized.

Distribution List:

Tom Robinson, National Grid
Rob Pratt, MTC
DTE Commissioners
Doug Horan, NSTAR
David O'Connor, DOER
Pat Stanton, DOER
State Senator Michael Morrissey
State Representative Daniel Bosley